

**HODGEMAN COUNTY, KANSAS**

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**FINANCIAL STATEMENTS  
with  
INDEPENDENT AUDITOR'S REPORT  
YEAR ENDED DECEMBER 31, 2011**

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## HODGEMAN COUNTY, KANSAS

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## INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
County of Hodgeman, Kansas  
Jetmore, Kansas

We have audited the accompanying financial statements of Hodgeman County, Kansas, as of and for the year ended December 31, 2011, which collectively comprise the financial statements of the County's primary government, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The effect on the financial statements of the omission of the component units, although not reasonably determinable, is presumed to be material.

As described more fully in Note A, Hodgeman County, Kansas, has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the omission of the discretely presented component units, as discussed above, and because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the County as of December 31, 2011, or the changes in its financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the primary government of Hodgeman County, Kansas, as of December 31, 2011, its cash receipts and expenditures, and budgetary results for the year then ended on the basis of accounting described in Note A.

*Kennedy McKee & Company LLP*

September 17, 2012

# HODGEMAN COUNTY, KANSAS

## SUMMARY OF CASH RECEIPTS, EXPENDITURES, AND UNENCUMBERED CA

Year ended December 31, 2011

<u>Fund</u>	Beginning unencumbered cash balance (deficit)	Cash receipts
Governmental type funds:		
General	\$ 426,941	\$ 2,577,092
Special revenue:		
Road and bridge	264,070	1,192,584
Extension council	3,376	93,023
Noxious weed	19,694	326,951
Noxious weed capital outlay	107,323	30,000
County hospital	3,220	286,056
Ambulance	64,798	130,425
Special alcohol/drug	1,360	-
Rural fire district	40,081	64,796
Non-budgeted special revenue:		
Special machinery	418,711	300,000
Ambulance equipment	-	9,000
Prosecuting attorney trust	2,314	526
Special motor vehicle	16,806	22,957
Register of deeds technology	10,818	10,464
Municipal equipment reserve	212,675	100,000
Capital improvements	272,329	100,000
Bioterrorism grant	(2,420)	9,517
Micro loan grant	-	600
Micro loan grant revolving	40,330	4,988
Rural fire equipment	790	15,000
E911 Combined	27,289	94,026
E911 Sheriff grant	2,193	129,866
Law enforcement trust fund	8,657	-
Highway department mitigation fund	10,840	4,615
Special highway improvements	300,001	-
Energy fund	-	215,157
Debt service fund:		
Bond and interest	17,252	527,231
No-fund warrants	8,366	264,205
Hospital bond debt service reserve	101,781	4,027
Capital project fund:		
Hospital bond #2	(40,060)	40,060
Total - excluding agency funds	<u>\$ 2,339,535</u>	<u>\$ 6,553,166</u>

Composition of cash balance:

Super now account  
 Checking account  
 Bond  
 Money market account  
 Micro loan account  
 Cash and cash items on hand  
 Certificates of deposit

Total cash  
 Agency funds

Total - excluding agency funds

The accompanying notes are an integral part of the financial statements.

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<u>Expenditures</u>	<u>Residual equity transfers</u>	<u>Ending unencumbered cash balance (deficit)</u>	<u>Add outstanding encumbrances and accounts payable</u>	<u>Ending cash balance (deficit)</u>
\$ 2,646,256	\$ 279	\$ 358,056	\$ 51,892	\$ 409,948
1,298,088	-	158,566	22,871	181,437
91,000	-	5,399	-	5,399
337,657	-	8,988	-	8,988
-	-	137,323	-	137,323
279,000	-	10,276	-	10,276
160,038	-	35,185	-	35,185
-	-	1,360	-	1,360
80,936	-	23,941	-	23,941
25,271	-	693,440	-	693,440
-	-	9,000	-	9,000
-	-	2,840	-	2,840
24,735	-	15,028	-	15,028
13,373	-	7,909	-	7,909
102,888	-	209,787	-	209,787
16,095	-	356,234	-	356,234
7,562	-	(465)	-	(465)
600	-	-	-	-
600	-	44,718	-	44,718
-	-	15,790	-	15,790
81,222	-	40,093	-	40,093
102,730	-	29,329	-	29,329
3,148	-	5,509	-	5,509
15,176	(279)	-	-	-
-	-	300,001	-	300,001
215,157	-	-	-	-
497,355	-	47,128	-	47,128
266,566	-	6,005	-	6,005
-	-	105,808	-	105,808
-	-	-	-	-
<u>\$ 6,265,453</u>	<u>\$ -</u>	<u>\$ 2,627,248</u>	<u>\$ 74,763</u>	<u>\$ 2,702,011</u>
				\$ 873,217
				36,406
				94,991
				3,737,907
				45,318
				359
				<u>2,300,000</u>
				7,088,198
				<u>(4,386,187)</u>
				<u>\$ 2,702,011</u>

# HODGEMAN COUNTY, KANSAS

## SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

<u>Fund</u>	<u>Certified budget</u>	<u>Adjustments for qualifying budget credits</u>	<u>Total budget for comparison</u>	<u>Expenditures chargeable to current year</u>	<u>Variance favorable (unfavorable)</u>
General fund	\$ 2,679,101	\$ -	\$ 2,679,101	\$ 2,646,256	\$ 32,845
Special revenue funds:					
Road and bridge	1,308,000	-	1,308,000	1,298,088	9,912
Extension council	91,000	-	91,000	91,000	-
Noxious weed	462,000	-	462,000	337,657	124,343
Noxious weed capital outlay	75,000	-	75,000	-	75,000
County hospital	279,000	-	279,000	279,000	-
Ambulance	190,000	-	190,000	160,038	29,962
Special alcohol and drug	1,800	-	1,800	-	1,800
Rural fire district	83,000	-	83,000	80,936	2,064
Bond and interest	498,000	-	498,000	497,355	645
No-fund warrants	271,000	-	271,000	266,566	4,434
 Total primary government	 <u>\$ 5,937,901</u>	 <u>\$ -</u>	 <u>\$ 5,937,901</u>	 <u>\$ 5,656,896</u>	 <u>\$ 281,005</u>

The accompanying notes are an integral  
part of the financial statements.

# HODGEMAN COUNTY, KANSAS

## GENERAL FUND

### STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			Variance over (under)
	2010	Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 1,938,967	\$ 1,938,589	\$ 1,946,079	\$ (7,490)
Delinquent tax	34,678	23,466	10,000	13,466
Motor vehicle tax	156,632	124,400	125,448	(1,048)
Recreational vehicle tax	1,129	952	962	(10)
16/20M truck tax	20,154	19,996	16,116	3,880
Mineral production tax	7,609	36,902	5,000	31,902
Health grants	14,904	36,449	13,479	22,970
Licenses, permits and fees	63,743	145,658	53,000	92,658
Fines, forfeitures and penalties	14,805	12,017	20,000	(7,983)
Charges for services	189,530	177,607	164,775	12,832
Interest	16,283	11,152	15,000	(3,848)
Other	43,979	33,098	-	33,098
Operating transfers	31,294	16,806	15,500	1,306
Total cash receipts	<u>2,533,707</u>	<u>2,577,092</u>	<u>\$ 2,385,359</u>	<u>\$ 191,733</u>
Expenditures:				
County Commissioners	73,785	79,634	\$ 71,000	\$ (8,634)
County Clerk	59,485	56,749	64,000	7,251
County Treasurer	77,889	76,764	74,875	(1,889)
County Attorney	45,511	46,948	52,000	5,052
Register of Deeds	51,235	71,032	58,700	(12,332)
District Court	38,371	42,616	39,794	(2,822)
Law enforcement	380,385	397,808	387,800	(10,008)
Health department	179,800	159,885	179,397	19,512
Solid waste	152,633	152,239	182,000	29,761
Courthouse general	82,435	85,090	153,000	67,910
Park and pool	35,732	42,417	35,000	(7,417)
Election	22,543	5,237	10,000	4,763
Appraiser cost	136,174	134,793	140,000	5,207
Judgments and tort liability	92,057	104,297	105,000	703
Employee benefits	791,677	854,566	970,000	115,434
Emergency management	7,853	9,995	11,000	1,005
Other	52,549	47,151	-	(47,151)



# HODGEMAN COUNTY, KANSAS

## GENERAL FUND

### STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET (CONTINUED)

	Year ended December 31,			
		2011		
	2010	Actual	Budget	Variance favorable (unfavorable)
Appropriations:				
Fair building	\$ 12,828	\$ 13,110	\$ 13,110	\$ -
Soil Conservation	18,000	18,000	18,000	-
Elderly services	17,325	17,325	17,325	-
Historical Society	3,000	3,000	3,000	-
Community Mental Health	27,600	27,600	27,600	-
Land rush	-	-	25,000	25,000
Economic development	-	-	31,500	31,500
Operating transfers	100,000	200,000	10,000	(190,000)
Total expenditures and transfers	<u>2,458,867</u>	<u>2,646,256</u>	<u>\$ 2,679,101</u>	<u>\$ 32,845</u>
Receipts over (under) expenditures	74,840	(69,164)		
Unencumbered cash, beginning of year	352,101	426,941	<u>\$ 293,742</u>	<u>\$ 133,199</u>
Residual equity transfer in	<u>-</u>	<u>279</u>		
Unencumbered cash, end of year	<u>\$ 426,941</u>	<u>\$ 358,056</u>		

The accompanying notes are an integral  
part of the financial statements.

# HODGEMAN COUNTY, KANSAS

## ROAD AND BRIDGE FUND

### STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			
		2011		
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 886,420	\$ 888,557	\$ 878,775	\$ 9,782
Delinquent tax	16,244	11,004	7,500	3,504
Motor vehicle tax	77,279	57,786	57,349	437
Recreational vehicle tax	560	439	440	(1)
16/20M truck tax	8,978	10,178	7,367	2,811
Gasoline tax	204,034	205,622	205,450	172
Other	31,350	18,998	10,000	8,998
Total cash receipts	<u>1,224,865</u>	<u>1,192,584</u>	<u>\$ 1,166,881</u>	<u>\$ 25,703</u>
Expenditures:				
Highways and streets	1,042,221	998,088	\$ 1,208,000	\$ 209,912
Operating transfers	<u>150,000</u>	<u>300,000</u>	<u>100,000</u>	<u>(200,000)</u>
Total expenditures	<u>1,192,221</u>	<u>1,298,088</u>	<u>\$ 1,308,000</u>	<u>\$ 9,912</u>
Receipts over (under) expenditures	32,644	(105,504)		
Unencumbered cash, beginning of year	<u>231,426</u>	<u>264,070</u>	<u>\$ 141,119</u>	<u>\$ 122,951</u>
Unencumbered cash, end of year	<u>\$ 264,070</u>	<u>\$ 158,566</u>		

The accompanying notes are an integral  
part of the financial statements.

# HODGEMAN COUNTY, KANSAS

## EXTENSION COUNCIL FUND

### STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			Variance favorable (unfavorable)
	2010	Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 82,163	\$ 85,802	\$ 83,616	\$ 2,186
Delinquent tax	1,513	1,044	500	544
Motor vehicle tax	7,001	5,283	5,295	(12)
Recreational vehicle tax	50	40	41	(1)
16/20M truck tax	1,024	854	680	174
Total cash receipts	91,751	93,023	<u>\$ 90,132</u>	<u>\$ 2,891</u>
Expenditures:				
Appropriation	91,000	91,000	<u>\$ 91,000</u>	<u>\$ -</u>
Receipts over (under) expenditures	751	2,023		
Unencumbered cash, beginning of year	2,625	3,376	<u>\$ 868</u>	<u>\$ 2,508</u>
Unencumbered cash, end of year	<u>\$ 3,376</u>	<u>\$ 5,399</u>		

The accompanying notes are an integral  
part of the financial statements.

# HODGEMAN COUNTY, KANSAS

## NOXIOUS WEED FUND

### STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			Variance favorable (unfavorable)
	2010	Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 160,884	\$ 177,496	\$ 178,183	\$ (687)
Delinquent tax	2,190	1,536	500	1,036
Motor vehicle tax	8,242	9,889	10,408	(519)
Recreational vehicle tax	60	77	80	(3)
16/20M truck tax	879	1,111	1,337	(226)
Chemical sales	198,726	136,842	220,000	(83,158)
Total cash receipts	370,981	326,951	\$ 410,508	\$ (83,557)
Expenditures:				
Highways and streets	322,251	307,657	\$ 432,000	\$ 124,343
Operating transfers	30,000	30,000	30,000	-
Total expenditures	352,251	337,657	\$ 462,000	\$ 124,343
Receipts over (under) expenditures	18,730	(10,706)		
Unencumbered cash, beginning of year	964	19,694	\$ 51,492	\$ (31,798)
Unencumbered cash, end of year	\$ 19,694	\$ 8,988		

The accompanying notes are an integral  
part of the financial statements.

# HODGEMAN COUNTY, KANSAS

## NOXIOUS WEED CAPITAL OUTLAY FUND

### STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			
		2011		
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Operating transfers	\$ 30,000	\$ 30,000	<u>\$ 30,000</u>	<u>\$ -</u>
Expenditures:				
Highways and streets	<u>-</u>	<u>-</u>	<u>\$ 75,000</u>	<u>\$ 75,000</u>
Receipts over (under) expenditures	30,000	30,000		
Unencumbered cash, beginning of year	<u>77,323</u>	<u>107,323</u>	<u>\$ 77,323</u>	<u>\$ 30,000</u>
Unencumbered cash, end of year	<u>\$ 107,323</u>	<u>\$ 137,323</u>	<u>\$ 32,323</u>	<u>\$ 105,000</u>

The accompanying notes are an integral  
part of the financial statements.

# HODGEMAN COUNTY, KANSAS

## COUNTY HOSPITAL FUND

### STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			
	2011			Variance
	2010	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 242,886	\$ 264,490	\$ 257,815	\$ 6,675
Delinquent tax	5,154	3,073	2,000	1,073
Motor vehicle tax	20,988	15,722	15,714	8
Recreational vehicle tax	151	120	121	(1)
16/20M truck tax	2,787	2,651	2,019	632
Total cash receipts	271,966	286,056	\$ 277,669	\$ 8,387
Expenditures:				
Appropriation	279,000	279,000	\$ 279,000	\$ -
Receipts over (under) expenditures	(7,034)	7,056		
Unencumbered cash, beginning of year	10,254	3,220	\$ 1,331	\$ 1,889
Unencumbered cash, end of year	\$ 3,220	\$ 10,276		

The accompanying notes are an integral  
part of the financial statements.

# HODGEMAN COUNTY, KANSAS

## AMBULANCE FUND

### STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			
	2011			Variance
	2010	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 50,765	\$ 54,942	\$ 55,157	\$ (215)
Delinquent tax	1,063	625	500	125
Motor vehicle tax	3,831	3,199	3,284	(85)
Recreational vehicle tax	27	25	25	-
16/20M truck tax	622	447	422	25
Charges for services	86,885	71,187	80,000	(8,813)
Total cash receipts	143,193	130,425	\$ 139,388	\$ (8,963)
Expenditures:				
Health and welfare	129,457	151,038	\$ 135,000	\$ (16,038)
Operating transfer	33,939	9,000	55,000	46,000
Total expenditures	163,396	160,038	\$ 190,000	\$ 29,962
Receipts over (under) expenditures	(20,203)	(29,613)		
Unencumbered cash, beginning of year	85,001	64,798	\$ 50,612	\$ 14,186
Unencumbered cash, end of year	\$ 64,798	\$ 35,185		

The accompanying notes are an integral  
part of the financial statements.

# HODGEMAN COUNTY, KANSAS

## SPECIAL ALCOHOL AND DRUG FUND

### STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			
		2011		
	2010	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
State aid	\$ -	\$ -	<u>\$ 250</u>	<u>\$ (250)</u>
Expenditures:				
Health and welfare	<u>200</u>	<u>-</u>	<u>\$ 1,800</u>	<u>\$ 1,800</u>
Receipts over (under) expenditures	(200)	-		
Unencumbered cash, beginning of year	<u>1,560</u>	<u>1,360</u>	<u>\$ 1,550</u>	<u>\$ (190)</u>
Unencumbered cash, end of year	<u>\$ 1,360</u>	<u>\$ 1,360</u>		

The accompanying notes are an integral  
part of the financial statements.



# HODGEMAN COUNTY, KANSAS

## RURAL FIRE DISTRICT FUND

### STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			Variance favorable (unfavorable)
	2010	Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 64,775	\$ 54,876	\$ 54,958	\$ (82)
Delinquent tax	803	673	282	391
Motor vehicle tax	3,269	2,726	2,970	(244)
Recreational vehicle tax	27	21	25	(4)
16/20M truck tax	700	648	650	(2)
Other	1,560	5,852	-	5,852
Total cash receipts	<u>71,134</u>	<u>64,796</u>	<u>\$ 58,885</u>	<u>\$ 5,911</u>
Expenditures:				
Public safety	77,706	65,936	\$ 63,000	\$ (2,936)
Operating transfers	-	15,000	20,000	5,000
Total expenditures	<u>77,706</u>	<u>80,936</u>	<u>\$ 83,000</u>	<u>\$ 2,064</u>
Receipts over (under) expenditures	(6,572)	(16,140)		
Unencumbered cash, beginning of year	<u>46,653</u>	<u>40,081</u>	<u>\$ 24,115</u>	<u>\$ 15,966</u>
Unencumbered cash, end of year	<u>\$ 40,081</u>	<u>\$ 23,941</u>		

The accompanying notes are an integral  
part of the financial statements.

# HODGEMAN COUNTY, KANSAS

## BOND AND INTEREST FUND

### STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			Variance favorable (unfavorable)
	2010	Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 223,101	\$ 288,086	\$ 280,826	\$ 7,260
Delinquent tax	868	2,183	500	1,683
Motor vehicle tax	13,104	13,874	14,434	(560)
Recreational vehicle tax	94	108	111	(3)
16/20M truck tax	1,487	1,763	1,854	(91)
Sales tax	190,606	221,217	195,000	26,217
Total cash receipts	429,260	527,231	\$ 492,725	\$ 34,506
Expenditures:				
Principal	260,000	290,000	\$ 290,000	\$ -
Interest	220,355	207,355	208,000	645
Total expenditures	480,355	497,355	\$ 498,000	\$ 645
Receipts over (under) expenditures	(51,095)	29,876		
Unencumbered cash, beginning of year	68,347	17,252	\$ 15,275	\$ 1,977
Unencumbered cash, end of year	\$ 17,252	\$ 47,128		

The accompanying notes are an integral  
part of the financial statements.

# HODGEMAN COUNTY, KANSAS

## NO-FUND WARRANTS FUND

### STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended December 31,			
		2011		Variance
	2010	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 265,340	\$ 244,407	\$ 238,179	\$ 6,228
Delinquent tax	442	1,975	200	1,775
Motor vehicle tax	9,374	16,110	17,165	(1,055)
Recreational vehicle tax	70	126	132	(6)
16/20M truck tax	-	1,587	2,205	(618)
Other	120,000	-	-	-
Total cash receipts	395,226	264,205	\$ 257,881	\$ 6,324
Expenditures:				
Principal	360,000	240,000	\$ 240,000	\$ -
Interest	36,232	26,566	31,000	4,434
Total expenditures	396,232	266,566	\$ 271,000	\$ 4,434
Receipts over (under) expenditures	(1,006)	(2,361)		
Unencumbered cash, beginning of year	9,372	8,366	\$ 13,119	\$ (4,753)
Unencumbered cash, end of year	\$ 8,366	\$ 6,005		

The accompanying notes are an integral  
part of the financial statements.

# HODGEMAN COUNTY, KANSAS

## COMBINING STATEMENT OF CASH RECEIPTS AND EXPENDITURES ALL NON-BUDGETED FUNDS

Year ended December 31, 2011

	Special revenue			
	Special Machinery	Ambulance Equipment	Prosecuting Attorney Trust	Special Motor Vehicle
Cash receipts:				
Federal aid	\$ -	\$ -	\$ -	\$ -
State aid	-	-	-	-
Court fees	-	-	526	-
Motor vehicle fees	-	-	-	22,957
ROD tech fees	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Operating transfers	300,000	9,000	-	-
Total cash receipts	300,000	9,000	526	22,957
Expenditures:				
General government	-	-	-	7,929
Public safety	-	-	-	-
Highways and streets	25,271	-	-	-
Health and welfare	-	-	-	-
Operating transfers	-	-	-	16,806
Total expenditures	25,271	-	-	24,735
Receipts over (under) expenditures	274,729	9,000	526	(1,778)
Unencumbered cash (deficit), beginning of year	418,711	-	2,314	16,806
Residual equity transfer	-	-	-	-
Unencumbered cash (deficit), end of year	\$ 693,440	\$ 9,000	\$ 2,840	\$ 15,028

The accompanying notes are an integral  
part of the financial statements.

Special revenue					
Register of Deeds Technology	Municipal Equipment Reserve	Capital Improve- ments	Bioterrorism Grant	Micro Loan Grant	Micro Loan Grant Revolving
\$ -	\$ -	\$ -	\$ 9,517	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,464	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	4,988
-	100,000	100,000	-	600	-
<u>10,464</u>	<u>100,000</u>	<u>100,000</u>	<u>9,517</u>	<u>600</u>	<u>4,988</u>
13,373	102,888	16,095	-	600	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	7,562	-	-
-	-	-	-	-	600
<u>13,373</u>	<u>102,888</u>	<u>16,095</u>	<u>7,562</u>	<u>600</u>	<u>600</u>
(2,909)	(2,888)	83,905	1,955	-	4,388
10,818	212,675	272,329	(2,420)	-	40,330
-	-	-	-	-	-
<u>\$ 7,909</u>	<u>\$ 209,787</u>	<u>\$ 356,234</u>	<u>\$ (465)</u>	<u>\$ -</u>	<u>\$ 44,718</u>

# HODGEMAN COUNTY, KANSAS

## COMBINING STATEMENT OF CASH RECEIPTS AND EXPENDITURES ALL NON-BUDGETED FUNDS (CONTINUED)

Year ended December 31, 2011

	Special revenue			
	Rural Fire Equipment	E911 Combined	E911 Sheriff Grant	Law Enforcement Trust
Cash receipts:				
Federal aid	\$ -	\$ -	\$ -	\$ -
State aid	-	3,681	129,744	-
Court fees	-	-	-	-
Motor vehicle fees	-	-	-	-
ROD tech fees	-	-	-	-
Interest	-	-	122	-
Other	-	7,489	-	-
Operating transfers	15,000	82,856	-	-
Total cash receipts	15,000	94,026	129,866	-
Expenditures:				
General government	-	81,222	-	-
Public safety	-	-	19,874	3,148
Highways and streets	-	-	-	-
Health and welfare	-	-	-	-
Operating transfers	-	-	82,856	-
Total expenditures	-	81,222	102,730	3,148
Receipts over (under) expenditures	15,000	12,804	27,136	(3,148)
Unencumbered cash, beginning of year	790	27,289	2,193	8,657
Residual equity transfer	-	-	-	-
Unencumbered cash, end of year	\$ 15,790	\$ 40,093	\$ 29,329	\$ 5,509

The accompanying notes are an integral  
part of the financial statements.

Highway Dept. Mitigation	Special revenue		Debt service Hospital Bond Debt Service Reserve	Capital project Hospital Bond #2	Total
	Special Highway Improvements	Energy Grant			
\$ -	\$ -	\$ 115,157	\$ -	\$ -	\$ 124,674
4,615	-	-	-	-	138,040
-	-	-	-	-	526
-	-	-	-	-	22,957
-	-	-	-	-	10,464
-	-	-	4,027	-	4,149
-	-	100,000	-	40,060	152,537
-	-	-	-	-	607,456
4,615	-	215,157	4,027	40,060	1,060,803
-	-	215,157	-	-	437,264
15,176	-	-	-	-	38,198
-	-	-	-	-	25,271
-	-	-	-	-	7,562
-	-	-	-	-	100,262
15,176	-	215,157	-	-	608,557
(10,561)	-	-	4,027	40,060	452,246
10,840	300,001	-	101,781	(40,060)	1,383,054
(279)	-	-	-	-	(279)
<u>\$ -</u>	<u>\$ 300,001</u>	<u>\$ -</u>	<u>\$ 105,808</u>	<u>\$ -</u>	<u>\$ 1,835,021</u>

# HODGEMAN COUNTY, KANSAS

## AGENCY FUNDS

### SUMMARY OF CASH RECEIPTS AND CASH DISBURSEMENTS

Year ended December 31, 2011

<u>Fund</u>	<u>Beginning cash balance</u>	<u>Cash receipts</u>	<u>Cash disbursements</u>	<u>Ending cash balance</u>
County Clerk	\$ 202	\$ 1,387	\$ 1,430	\$ 159
Register of Deeds	-	126,501	126,501	-
District Court	28,058	170,852	180,599	18,311
Sheriff	704	57,368	56,562	1,510
Tax collection accounts	3,614,507	7,874,784	7,140,981	4,348,310
Local taxing districts	-	2,764,729	2,764,229	500
Cafeteria plan	13	2,700	2,700	13
Fish and game licenses and hatchery fees	20	1,351	1,371	-
Heritage trust	-	788	788	-
Motor vehicle fees and sales tax collections	11,640	283,949	294,791	798
Law library	13,449	3,522	385	16,586
Total	<u>\$ 3,668,593</u>	<u>\$ 11,287,931</u>	<u>\$ 10,570,337</u>	<u>\$ 4,386,187</u>

The accompanying notes are an integral  
part of the financial statements.



**HODGEMAN COUNTY, KANSAS**  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2011

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies applied in the preparation of the accompanying financial statements is presented to assist in understanding the County's financial statements, which are presented in conformity with the cash basis and budget laws of the State of Kansas. The financial statements and notes are the representation of the County's management, which is responsible for their integrity and objectivity. The amounts shown for 2010 in the accompanying financial statements are included, where practicable, only to provide a basis for comparison with 2011, and are not intended to present all information necessary for a fair presentation in accordance with the basis of accounting as described below.

**1. Financial reporting entity**

Hodgeman County, Kansas is a municipal corporation governed by an elected five-member commission. The scope of the entity for financial reporting purposes is defined as those funds for which the governing body of the County has financial accountability. Financial accountability includes budgetary authority and fiscal management responsibility. Budgetary authority is defined as authority for final approval of budgetary appropriations and revisions. Fiscal management responsibility is control of the collection and disbursement of funds. These financial statements include all funds included in the County's legally adopted budget and trust funds controlled or administered by County employees in their capacity as County employees. These financial statements present Hodgeman County, Kansas, (the primary government) and do not include the following component units:

*Hodgeman County Hospital:* The members of the governing board of the Hospital are appointed by the County Commissioners. Although the County Commissioners do not have the authority to modify or approve the Hospital's operating budget, the Hospital is fiscally dependent on the County because the County provides substantial support.

*Hodgeman County Extension Council:* The Extension Council has an elected board for its governing body. The County can impose its will on the Extension Council because it has the ability to modify or approve the operating budget of the Council. Because the Council receives substantial financial support from the County, it is fiscally dependent on the County, although it receives some other support.

Financial information of the individual component units may be obtained directly from their administrative offices as follows:

Hodgeman County Hospital  
809 W. Bramley St.  
Jetmore, Kansas 67854

Hodgeman County Extension Council  
Hodgeman County Courthouse  
Jetmore, Kansas 67854

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2. Fund accounting

The accounts of the County are organized on the basis of funds. In governmental accounting, a fund is designated as a sum of money or other resources segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations and constituting an independent fiscal and accounting entity. County resources are allocated to and for individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The following funds comprise the financial activities of the County for the year 2011:

#### GOVERNMENTAL FUNDS

##### General Fund

This fund is established to account for resources devoted to financing the general services that the County performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the County are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

##### Special Revenue Funds

These funds are established to account for the proceeds of specific revenue sources other than trust funds or major capital projects that are legally restricted by law or administrative action to expenditure for specified purposes.

##### Debt Service Funds

These funds are established to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt of the County.

##### Capital Project Fund

This fund is established to account for major capital expenditures not financed by enterprise funds.

#### FIDUCIARY FUNDS

##### Agency Funds

These funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments and/or other funds.

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3. Basis of accounting

*Statutory Basis of Accounting.* The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure is charged in the fund from which the transfer is made.

The County has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

*Departure from Accounting Principles Generally Accepted in the United States of America.* The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. A statement of net assets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance is not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences is not presented in the financial statements.

### 4. Budgetary control and encumbrances

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

- a. Preparation of the budget for the succeeding calendar year on or before August 1<sup>st</sup>.
- b. Publication in the local newspaper on or before August 5<sup>th</sup> of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15<sup>th</sup>, but at least ten days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25<sup>th</sup>.

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 4. Budgetary information (continued)

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments in the current year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, fiduciary funds and the following special revenue funds:

Special machinery	Micro loan grant
Ambulance equipment	Micro loan grant revolving
Prosecuting attorney trust	Rural fire equipment
Special motor vehicle	E911
Register of deeds technology	E911 Sheriff grant
Municipal equipment reserve	Law enforcement trust
Capital improvements	Highway dept. mitigation
Energy grant	Special highway improvements
Bioterrorism grant	

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

### 5. Cash and investments

To facilitate better management of the County's cash resources, excess cash is combined in pooled operating accounts. Each fund's portion of total cash is based on its equity in the pooled cash account. Cash in excess of current operating needs is invested on a pooled investment basis and earnings thereon are distributed to the general fund and other appropriate funds. Investments consist of time deposits and certificates of deposit and they are reported at cost.

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 6. Pension plan

Substantially all full-time employees of the County are members of the State of Kansas Public Employees' Retirement System (KPERs) which is a cost-sharing multi-employer state-wide pension plan. The County's policy is to fund all pension costs accrued; such costs to be funded are determined annually by the system's actuary.

### 7. Compensated absences

The County's policies regarding vacation permits non-elected employees with one year of employment to earn ten days of vacation. Employees with greater than ten years of employment earn 15 days of vacation per year. All employees are allowed to carry over vacation one year past their anniversary date for a maximum accumulation of 20 days for employees with ten years of service or less and 30 days for employees with more than ten years of service. Upon termination or resignation from service with the County, employees are entitled to payment for all accrued vacation earned prior to termination or resignation, provided two weeks notice is given.

All non-elected employees on permanent status earn sick leave at the rate of one day per month of service with a maximum accumulation of 90 days. Part-time employees do not earn sick leave. No allowance for unused sick leave is paid upon termination, resignation or retirement. The liability for accrued vacation has been reflected in Note D, representing the County's commitment to fund such costs from future operations.

### 8. Section 125 plan

The County offers a section 125 flexible benefit plan to employees electing to participate. It is used for cancer and vision insurance premiums. The plan is administered by an independent company.

### 9. Deferred compensation plan

The County offers employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457.

### 10. Other post employment benefits

As provided by K.S.A. 12-5040, the County allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the County is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the County makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the County under this program.

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 11. Risk management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and medical needs of employees. The County purchases commercial insurance to cover health, property, liability, and worker's compensation claims. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

### 12. Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts and the disclosures at the date of the financial statements. Actual results could differ from those estimates.

## B. COMPLIANCE WITH KANSAS STATUTES

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and legal representatives of the County.

K.S.A. 10-130 requires that municipalities remit payments for any bonds or interest to the state fiscal agent at least twenty days before the day of maturity. The payments on the general obligation bonds were not made in accordance with this statute.

The cash basis law provided by K.S.A. 10-1113 prohibits the creation of indebtedness in any fund in excess of available monies in that fund. Although, as indicated in the financial statements, the Bioterrorism Grant has a cash deficit of \$465, according to K.S.A. 12-1664, the County is not prohibited from financing the federal or state share of a local program from current funds if available.

## C. DEPOSITS AND INVESTMENTS

*Policies.* The County has no formal deposit and investment policies; however it does follow state statutes. K.S.A. 9-1401 establishes the depositories which may be used by the County. The statute requires banks eligible to hold the County's funds to have a main or branch bank in the County, or in an adjoining county if such institution has been designated as an official depository, and the banks to provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the County's deposits in financial institutions to be entirely covered by federal depository insurance, by a corporate surety bond, or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka.

K.S.A. 12-1675 limits the County's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. State statutes place no limit on the amount the County may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

## C. DEPOSITS AND INVESTMENTS (CONTINUED)

*Custodial credit risk - deposits.* Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. At year-end the carrying amount of the County's deposits, including certificates of deposit, was \$7,087,839. The bank balance was \$7,278,683. Of the bank balance, \$548,541 was covered by FDIC insurance, and \$6,730,142, was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the County's name.

## D. LONG-TERM DEBT

Changes in long-term liabilities for the County for the year ended December 31, 2011, were as follows:

<u>Issue</u>	<u>Balance beginning of year</u>	<u>Additions/ net change</u>	<u>Reductions</u>	<u>Balance end of year</u>	<u>Interest paid</u>
General obligation bonds:					
Hospital bonds - Series 2006:					
Issued December 11, 2006					
In the amount of \$4,100,000					
At interest rates of 3.7% to 5.0%					
Maturing September 1, 2027	\$ 3,870,000	\$ -	\$ 140,000	\$ 3,730,000	\$ 159,958
Hospital bonds – Series 2008:					
Issued June 1, 2008					
In the amount of \$1,700,000					
At interest rates of 2.7% to 5.5%					
Maturing September 1, 2018	<u>1,470,000</u>	<u>-</u>	<u>150,000</u>	<u>1,320,000</u>	<u>47,398</u>
Subtotal	<u>5,340,000</u>	<u>-</u>	<u>290,000</u>	<u>5,050,000</u>	<u>207,356</u>
No-fund warrants:					
Hodgeman County Health Center:					
Hanston State Bank					
Issued July 24, 2008					
In the amount of \$300,000					
At interest rates of 3.75% to 4.75%					
Maturing August 20, 2013	60,000	-	60,000	-	1,913
Farmers State Bank					
Issued July 23, 2008					
In the amount of \$300,000					
At interest rate of 4.212%					
Maturing August 20, 2013	180,000	-	60,000	120,000	8,229
Hanston State Bank					
Issued October 20, 2009					
In the amount of \$600,000					
At interest rates of 3% to 4%					
Maturing August 20, 2014	<u>480,000</u>	<u>-</u>	<u>120,000</u>	<u>360,000</u>	<u>16,425</u>
Subtotal	<u>720,000</u>	<u>-</u>	<u>240,000</u>	<u>480,000</u>	<u>26,567</u>
Capital leases:					
2006 John Deere Wheel Loader					
Issued May 20, 2006					
In the amount of \$148,900					
At interest rate of 5.25%					
Maturing May 20, 2012	23,492	-	23,492	-	1,263
Caterpillar Generator					
Issued April 30, 2007					
In the amount of \$42,447					
At interest rate of 5.725%					
Maturing April 15, 2012	18,370	-	8,930	9,440	1,052

## D. LONG-TERM DEBT (CONTINUED)

<u>Issue</u>	<u>Balance beginning of year</u>	<u>Additions/ net change</u>	<u>Reductions</u>	<u>Balance end of year</u>	<u>Interest paid</u>
Capital leases (continued):					
Caterpillar Scraper					
Issued December 5, 2007					
In the amount of \$130,317					
At interest rate of 4.0%					
Maturing January 25, 2013	\$ 50,633	\$ -	\$ 27,794	\$ 22,839	\$ 1,479
Two Caterpillar 12 M Motor Graders					
Issued August 26, 2009					
In the amount of \$112,500					
At interest rates of 4%					
Maturing August 26, 2014	91,729	-	21,602	70,127	3,669
Bomag Landfill Compactor					
Issued April 29, 2011					
In the amount of \$75,000					
At interest rates of 3.299%					
Maturing April 29, 2014	-	75,000	15,000	60,000	-
Energy Conservation Improvements					
Issued June 30, 2011					
In the amount of \$100,000					
At interest rates of 5.19%					
Maturing September 1, 2018	-	100,000	3,144	96,856	2,679
Subtotal	184,224	175,000	99,962	259,262	10,142
Total contractual indebtedness	6,244,224	175,000	629,962	5,789,262	244,065
Compensated absences:					
Vacation	116,072	6,546	-	122,618	-
Landfill closure and post-closure care	401,827	12,707	-	414,534	-
Total long-term debt	<u>\$ 6,762,123</u>	<u>\$ 194,253</u>	<u>\$ 629,962</u>	<u>\$ 6,326,414</u>	<u>\$ 244,065</u>

Current maturities of general obligation bonds and interest for the next five years and in five year increments through maturity are as follows:

	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
2012	\$ 310,000	\$ 196,305	\$ 506,305
2013	330,000	185,245	515,245
2014	340,000	171,145	511,145
2015	360,000	159,445	519,445
2016	385,000	146,865	531,865
2017-2021	1,535,000	532,140	2,067,140
2022-2026	1,450,000	260,675	1,710,675
2027	340,000	14,450	354,450
Total	<u>\$ 5,050,000</u>	<u>\$ 1,666,270</u>	<u>\$ 6,716,270</u>

Current maturities of no-fund warrants and interest for the next three years are as follows:

	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
2012	\$ 180,000	\$ 16,888	\$ 196,888
2013	180,000	10,076	190,076
2014	120,000	3,600	123,600
Total	<u>\$ 480,000</u>	<u>\$ 30,564</u>	<u>\$ 510,564</u>



#### D. LONG-TERM DEBT (CONTINUED)

Current maturities of capital leases and interest for the next five years and in five year increments through maturity are as follows:

	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
2012	\$ 85,518	\$ 10,602	\$ 96,120
2013	56,449	7,373	63,822
2014	58,738	5,083	63,821
2015	14,521	2,697	17,218
2016	15,293	1,925	17,218
2017-2018	<u>28,743</u>	<u>2,248</u>	<u>30,991</u>
Total	<u>\$ 259,262</u>	<u>\$ 29,928</u>	<u>\$ 289,190</u>

#### E. DEFINED BENEFIT PENSION PLAN

*Plan description.* Hodgeman County contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100; Topeka, KS 66603-3869) or by calling 1-888-275-5737.

*Funding policy.* K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1, and 6% for Tier 2 employees (employees hired on or after July 1, 2009). The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The KPERS employer rate established for 2011 was 7.74%. From April through June there was a moratorium on the 1.00% group health and disability insurance, so the rate for those months was 6.74%. The County employer contributions to KPERS for the years ending December 31, 2011, 2010, and 2009 were \$100,427, \$85,450, and \$66,404, respectively, equal to the required contributions for each year as set forth by the legislature.

## F. INTERFUND TRANSFERS

A summary of interfund transfers by type is as follows:

<u>From</u>	<u>To</u>	<u>Statutory authority</u>	<u>Amount</u>
Operating transfers:			
Ambulance	Ambulance equipment	K.S.A. 68-590	\$ 9,000
Special motor vehicle	General	K.S.A. 8-145	16,806
Noxious weed	Noxious weed		
	Capital outlay	K.S.A. 2-1318	30,000
General	Municipal equipment reserve	K.S.A. 19-119	100,000
General	Capital improvement	K.S.A. 19-120	100,000
Road and bridge	Special machinery	K.S.A. 68-141g	300,000
Rural fire	Rural fire equipment	K.S.A. 68-590	15,000
Micro loan revolving	Micro loan grant	Grant agreement	\$ 600
			<u>\$ 571,406</u>

Residual equity transfer:

<u>From</u>	<u>To</u>	<u>Amount</u>
Highway department mitigation	General	<u>\$ 279</u>

## G. CLOSURE AND POSTCLOSURE COSTS OF LANDFILL

State and federal laws and regulations require the County to place a final cover on landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as change in long-term debt in each period based on landfill capacity used as of each financial statement date. The amount of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year.

The landfill closure and postclosure care liability for the open cell is \$665,277 at December 31, 2011. This represents the cumulative amount reported to date based on the use of 60 percent of the estimated capacity of the area currently open. The County will recognize the remaining estimated liability for closure and postclosure care of \$250,743 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2011. Actual cost may differ due to inflation, changes in technology, or changes in regulations. The County will cover these costs through future charges to landfill users and future ad valorem tax revenues. The County expects the current cell to operate for approximately twelve years.

The County is meeting the financial assurance requirements through the Local Government Financial Test. This test involves four components; financial, public notice, record keeping and reporting, and calculation of costs to be assured. The County has satisfied all of the requirements.

## H. CONTINGENCIES

The County receives Federal and State Grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of County management, such disallowances, if any, will not be significant.

## I. CDBG LOANS

In 2003, the County issued a \$15,000 revolving loan to a local business from funds paid in retirement of original Community Development Block Grant revolving loans. The loan at 4.25% is to be repaid over a period of ten years. Loan payments are \$162 per month, including principal and interest. At December 31, 2011 the loan balance was \$2,350.

In 2008, the County issued a \$15,000 revolving loan to a local business from funds paid in retirement of original Community Development Block Grant revolving loans. The loan at 4.00% is to be repaid over a period of ten years. Loan payments are \$173 per month, including principal and interest. At December 31, 2011 the loan balance was \$2,568.

## J. CONDUIT DEBT OBLIGATIONS

The County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2011, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$595,000.

## K. MEDICAL SELF INSURANCE

Hodgeman County maintains a self-insurance program that is handled by an outside administrator who determines claims to be paid by the company. A stop loss insurance policy is purchased by the company to cover claims above \$20,000 per employee. Changes in claims liability for the past two years have been as follows:

<u>Year ended December 31,</u>	<u>Beginning of year liability</u>	<u>Claims and changes in estimates</u>	<u>Claim payments</u>	<u>End of year liability</u>
2010	\$ 7,831	\$ 323,435	\$ 330,704	\$ 562
2011	562	324,480	308,989	16,053

## L. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 17, 2012, the date on which the financial statements were available to be used. Management's evaluation concluded that there are no subsequent events that are required to be recognized or disclosed in these financial statements.